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THE DISTRIBUTION OF INCOMES.

A statement has recently been published which provides information, in greater detail than was hitherto available, regarding the distribution of personal incomes and the amounts paid in taxation[1]. The data, which cover the financial years 1938—9 and 1941—2 and which are summarised in the table below, show the effects of recent increases in the rates of income tax and surtax on the different ranges of income. The extension in the scope of taxation is shown in the increased proportion provided by small incomes. The amount of tax raised on incomes under £250 p.a. has increased from 2% to 12% of the total ; and on all incomes under £500 p.a. from 8% to 32% of the total. While the number of persons and the gross incomes received in the highest ranges show very little change, the numbers paying tax in the lowest ranges have increased considerably. It should be mentioned that these statistics do not include all personal incomes, but only those coming within the field of the income tax authorities, which apparently account for about two-thirds of the total of all personal incomes.

For both years, the distribution of incomes before taxation corresponds fairly well to Pareto's law, which may be written

$$\log y + \alpha \log x = \text{a constant},$$

where y is the number of persons with incomes above £x and α is an index of inequality. It is apparent from the diagram, which is drawn on a logarithmic scale, that in both cases the points lie on a slightly S- shaped curve, as has usually been found, rather than on a straight line conforming to Pareto's law. The values of α, indicated by the straight lines, are found to be 1.68 in 1938—9 and 1.71 in 1941—2, showing a very slight reduction in inequality in the distribution of gross incomes.

In order to have some idea of the distribution of incomes after taxa-

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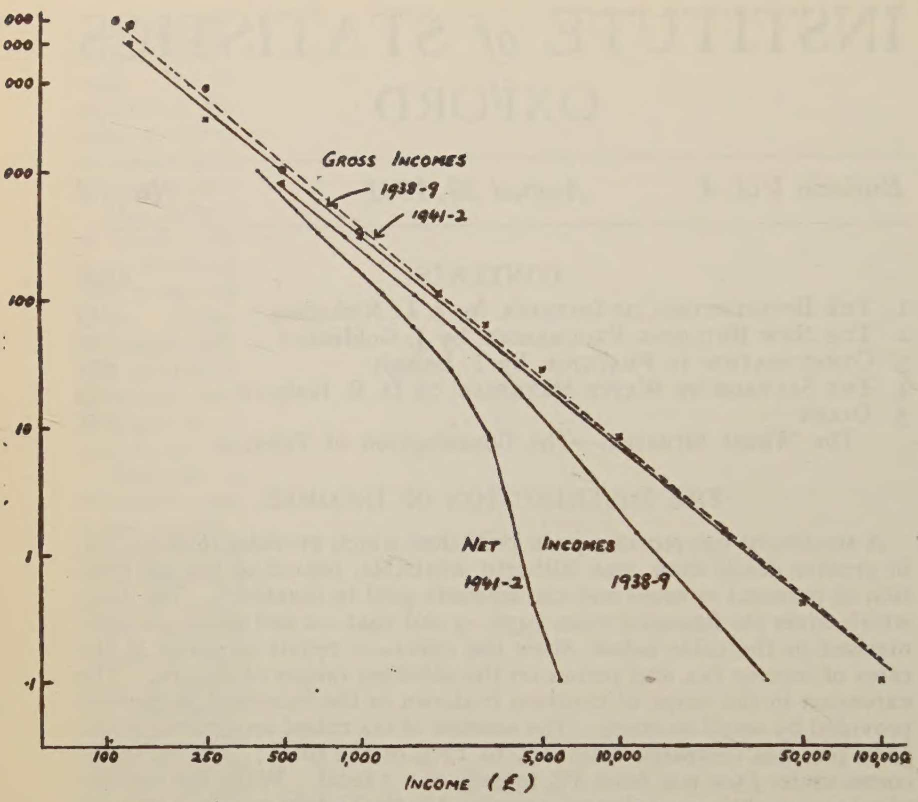
[1] Statement by Captain Crookshank in the House of Commons, 23/7/42.



Note :—Gross Incomes in 1938—9 indicated by crosses ; and in 1941—2, where the figures differ from the earlier year, by circles.

Estimates of Numbers and Amounts of Incomes Assessed to Tax.

Range of gross Income £	1938—9 No. of Persons* (000's)	Total Incomes before tax £ mn.	Total Incomes after tax £ mn.	% re-tained	1941—2 No. of Persons* (000's)	Total Incomes before tax £ mn.	Total Incomes after tax £ mn.	% re tained
110—125	—	—	—	100	1,300	150	148	98.7
125—250	7,250	1,260	1,255	99.6	9,200	1,600	1,500	93.8
250—500	1,750	590	572	96.9	3,500	1,215	1,047	86.2
500—1,000	500	350	310	88.6	685	455	330	72.5
1—2thous.	195	270	223	82.6	210	300	185	61.7
2—3 ,,	46.5	113	87	77.0	46.5	113	65	57.5
3—5 ,,	32	122	87	71.3	32	122	60	49.2
5—10 ,,	18.5	125	79	63.2	18.5	125	50	40.0
10—25 ,,	6.6	98	50.5	51.5	6.6	98	23.4	23.9
25—50 ,,	1	34	14	41.2	1	34	4.3	12.6
50—100,,	.3	20	7	35.0	.3	20	1.6	8.0
over 100,,	.1	18	5.5	30.6	.1	18	.7	3.9
Total	9,800	3,000	2,690	—	15,000	4,250	3,415	—

* The figures shown in the table include the following numbers (in thousands) who were not paying tax :

were not paying tax :	£110—125	£125—250	£250—500
1938—9	—	5,500	500
1941—2	700	3,500	300

tion, we can consider the case of a married man with one child, all income being earned ; we can then obtain the net income, corresponding to the given ranges of gross income. In fact, the variations in allowances are comparatively unimportant in the higher ranges of income, but for small incomes the differences are much more considerable and for this reason the distribution is only shown for persons having gross incomes of more than £500 p.a. The figures thus obtained for net incomes are plotted on the same diagram and the points are seen to lie on a curve, which indicates, especially in the later year, a much more equal distribution. In this case, Pareto's law does not apply over the whole range, but it may be used for interpolation within the income groups (consecutive points in the diagram being joined by straight lines) and in this way we can estimate approximately the additional yield in taxation, supposing net incomes were limited to a fixed amount.

The number of persons having net incomes of more than £2,000 p.a. may be estimated at 34,000 and their aggregate net income at £96 million, so that the additional yield in taxation, if net incomes were limited to £2,000, would be £28 million. This compares closely with the statement made by the Chancellor of the Exchequer, in April of this year, that the additional revenue, on the same supposition, would amount to 'about £30 million.' The total number of persons with net incomes of more than £1,000 may be estimated at 146,000, their aggregate net income at £250 million, and the additional yield in taxation, if incomes were limited to £1,000, would be £100 about million.[1]

It is not possible to compare the complete distribution of incomes in the two years since a large number of incomes, which are exempt from income tax, are not included in the figures quoted above. In the White Paper on War Finance (Cmd. 6347) the total of personal incomes in the calendar years 1938 and 1941 were estimated at £4,648 million and £6,207 million respectively. Allowing for the fact that incomes were rising in 1941—2, and excluding investment income of non-profit-making bodies, we may estimate total personal incomes in the financial years 1938—9 and 1941—2 at approximately £4,600 million and £6,200 million respectively. The table shown above accounts for £3,000 million in 1938—9 and £4,250 million in 1941—2, so that the remainder amounts to £1,600 million in the earlier year and £1,950 million in the later year. (In the latter case, the estimate may be slightly too high since the latest statement shows no change in the amounts of gross income in the highest groups, whereas the White Paper gives larger figures in these groups for the financial year 1940—1). It may be presumed that the whole of the remaining income belongs to persons having less than £250 p.a., since all incomes above this level should be included in the income tax returns.[2] On this assumption, the results may be summarised as follows :

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[1] Since this was written, a statement has been made by Sir Kingsley Wood, giving the number of persons with net incomes of more than £1,000 as 137,000 and the number with move than £2,000 as 32,000.

[2] The White Paper estimates include the allowances in kind made to members of the armed forces, which are not subject to income tax, and although most of this can be included with incomes under £250, a part of it (allowances to officers and some others) should probably be included with higher incomes. Thus for 1941—2 the amount of income in the lowest group, shown in the table, may be slightly ever-estimated.

Estimates of Personal Incomes in Financial Years 1938—9 *and* 1941—2.

	1938—9				1941—2			
Range of	*Gross Income*		*Net Income*		*Gross Income*		*Net Income*	
Gross Income £	£ mn.	%	£ mn.	%	£ mn.	%	£ mn.	%
under 250	2,860	62	2,855	67	3,700	60	3,598	67
250—500	590	13	572	13	1,215	20	1,047	20
500—1,000	350	8	310	7	455	7	330	6
1,000—2,000	270	6	223	5	300	5	185	3
over 2,000	530	11	330	8	530	8	205	4
Total	4,600	100	4,290	100	6,200	100	5,365	100

While the proportion of net income in the lowest group has remained constant, the number of persons has increased considerably. On the other hand, the proportion of net income above £1,000 has declined while the numbers have remained the same. It should be added that the figures given here include the income of all persons, youths and girls as well as men and women. The information is incomplete, since we do not know the number of persons in the lowest group ; and we have no particulars regarding the distribution of incomes per family.

J. L. NICHOLSON.

THE NEW BUILDING PROGRAMME

Aerodromes, port facilities, camps, etc. have to be provided for large numbers of U.S. forces, and they have to be provided quickly. To this end nearly 30,000 building workers who were due to be called up in July have been granted deferment, building jobs now in progress are being re-examined to find what labour can be released for more essential work, and thousands of volunteers are sought from men up to 50 years of age if they are fit and strong and prepared to go to any part of the country at a moment's notice. At the Ministry of Labour a special Department has been set up to provide the man-power necessary for the new programme of high pressure constructional work. The President of the National Federation of Building Trades Employers has pledged the Federation ' at this time of crisis to give the same kind of service which called forth the praise of the Government after Dunkirk.'

But when this pledge was given there was also expressed the hope ' that the present method of using the resources of the industry will be changed so as to use to the greatest possible extent the resources of the many contracting firms throughout the country.' Apprehension as to the contract policy of Government departments was amply justified, both in the light of past experience and in view of subsequent events. There is plenty of evidence that hitherto the bulk of Government work has been monopolised by large firms ; the Federation of Greater London Master Builders complained in January that it was hopeless for a firm employing from 20 to 25 workers to obtain a Government contract. Moreover, in spite of a recent undertaking in connection with the new drive, that the resources of the medium-sized firm would be utilized, ' the placing of many contracts has since been confined to a few large firms mostly from the Metropolitan area.'[1]

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[1] Memorandum issued by the South-Western Federation of Building Trade Employers, jointly with the South-Western Section of the Federation of Civil Engineering Contractors, published in *The Builder*, August 14, 1942.

As to the Small Master Builders employing up to 3 or 4 persons, their position has become precarious especially since repair and maintenance work (which formed the main part of their output before the war) was subjected to licence in so far as its cost exceeds £100 a year on any single property. 'Those little builders have been reduced in number by the war and will doubtless be reduced further.'[1]

The urgency of this problem of resources unused or underemployed for essential work in a time of crisis is brought out more clearly if we consider the relative importance of the small and medium-sized firm in the industry. Statistics issued by the Ministry of Works and Planning supply up-to-date information about the size-distribution of building and contracting firms.

NUMBER AND SIZE OF BUILDING AND CIVIL ENGINEERING UNDERTAKINGS[2]

Number of Employees	*No. of Operatives*	*Number of Undertakings.*	
July 1941	*May 1942*	*July 1941*	*May 1942*
0—19	1—19	79,985	43,548
20—99	20—99	5,371	4,352
100 and over	100 and over	1,224	855

Some steps to secure a better use of the medium-sized firm were taken in April by the then Ministry of Works and Buildings; thus it was decided to place all contracts below £25,000 regionally unless there were very strong reasons to the contrary, sub-contracting is to be extensively applied in all large contracts, consideration will be given when possible to the splitting up of large jobs into separate contracts, and in general it was said that it was the policy of the Ministry to use small builders for maintenance and smaller construction work. However, in its half yearly report (published in July) the National Federation of Building Trades Employers complained that some of the other contract placing departments have been 'more inclined to restrict their allocation of contracts to those firms from whom they have previously received good service or who were more accustomed to their own methods.'

Little appears to have been done to mobilise the small builders for war work. Grouped together they are able to carry fairly large contracts as a recent experiment in group building in the Midlands has shown. But successes achieved in one region only serve to bring into sharp relief the lack of initiative and of official guidance elsewhere. It is true, the regional emergency organisation of the Ministry of Works and Planning was originally designed to group together the medium-sized and small building firms and thus to secure the full and effective employment of the industry on essential work such as air-raid repairs, defence works, and some parts of the factory and housing programme. What was achieved fell, however, short of what was planned and there is also surprising variation in efficiency and vitality of the organisation as between one region and the other. One of the reasons for this comparative failure may have been the fact that, at the inception of the scheme, the main stress was laid on the repair of air-raid damage; thus when subsequently the demand for such repairs did not come up to expectation the child was not allowed to develop.

[2] G. D. H. Cole, The Labour Problem in the Building Industry, *Agenda*, April 1942.

[1] Viz. Economist, February 28, 1942, and August 28, 1942. The figures are not comparable in view of differences in classification. In the absence of further information it is impossible to comment on changes in structure indicated by the table. There is also a large number of 'firms' employing no operatives at all; they numbered 26,679 in May 1942 (Daily Herald, August 29, 1942.

Much of the work that has now to be done may not be suitable for smaller units, nevertheless their help, though indirect, may be decisive if they are fully mobilised—possibly within the framework of the regional emergency organisation—for other Government building so as to set free large firms for specialised work necessitated by the new programme. Not all of this work, however, requires to be done by large-scale enterprise. It may be claimed that its greater mobility makes it more efficient even for tasks that otherwise could be performed by smaller units, because the new building jobs are probably distributed all over the country ; but the location of the small and medium-sized builder is likewise scattered. Against their direct participation in the new drive there is also the departmental preference for placing contracts as a whole, civil engineering work together with subsidiary housing and similar building. Hence the demand put forward by the London Master Builders' Association that building and civil engineering work should be let as separate contracts.[1] On the other hand, many of the big firms are reluctant to sub-contract as much of the work as would be advisable in the interest of its early completion. Recently, the Ministry of Works and Planning decided to place an obligation on the main contractor in its contracts to sublet at least 20 per cent. to local building firms, and it is understood that the Ministry has recommended other departments to take a similar course.[2]

The contribution towards a speedy fulfilment of the present building drive that can be obtained from the medium-sized and small firms is thus twofold: (1) Their still fairly large resources can be switched over from repair and maintenance jobs, necessary as they may be, to still more important Government work under the former building programme, thus releasing large firms for specialised jobs in connection with the new drive.[3] (2) They will also be able to take a direct part in the new programme on a co-operative basis or through an extension of subcontracting if they are given the opportunity to do so and the assistance that may be needed in the way of transport, machinery, etc.

In order to speed up the actual transfer to war work it may perhaps be advisable—for the time of the present emergency—to restrict still more the volume of licence-free civilian repair jobs by lowering considerably the £100 limit. Such a measure will, however, be only effective if, on the other hand, all steps are taken to utilise resources, thus released, for more essential employment. If the transfer of the small builder to war work is connected with the change of his industrial status, assistance should be given in connection with his rent obligations, stocks of materials and tools, etc. However, it does not appear that the urgent need of delivering the goods requires the wholesale transfer of small and medium builders and/or their employees to the staff of large firms, together with the transfer of their equipment. This need would rather call for a more even distribution of contracts for housing and similar work which can be fulfilled by building firms hitherto excluded from Government orders.

J. Goldmann.

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[1] *Financial News*, July 28, 1942.

[2] *Financial Times*, July 28, 1942.

[3] 23.7 per cent. of the total number of operatives is still employed on maintenance work other than on Government property or factories.

COMPENSATION IN PRACTICE

The practice of the Government in compensating the (damage) caused through Government (and not hostile) action has not been uniform.

A. In cases of *property* requisitioned the Compensation (Defence) Act 1939 is the operative measure. The principle laid down in that act is to pay the current price for the services of property taken over, disregarding however any *appreciation* in the value due to the emergency. This lopsided arrangement has been disregarded in several important instances.

(i.) The Courtauld Combine award in compensation for the shares of the American Viscose Company is the most recent instance. The whole enterprise was apparently valued by Courtaulds at £32,000,000 exclusive of Goodwill and other intangible assets. The American Government apparently insisted on these shares being sold. They were accordingly vested in the Treasury and disposed of through a banking syndicate. The Treasury, received even at $4. to the £, the equivalent of £13,611,000 only, not less than £2,000,000 being absorbed by the marketing expenses and profits of the syndicate. An Arbitrator was appointed by Courtaulds and the Treasury in order to fix the amount of compensation to be paid to the Company. The Arbitrator fixed the award at £27,125,000 in cash, plus interest at 3% from March 15th, 1941, for 95% of the Viscose shares.[1] The Treasury is therefore obliged to pay some £13,500,000 more to the Company than it received for the shares sold.

(ii.) The compensation paid for vessels acquired under the Compensation (Defence) Act 1939 was to have been based on their pre-war value in accordance with section 4 (7) of the Act. Under Section 4 (1)—b of the Act it is provided, however, that compensation for vessels lost, not requisitioned, should be equal to the value of the ship immediately before the occurence of the damage. The final financial settlement between the shipowner and the Government[2] provided not merely that the owners of all vessels (including requisitioned[3] vessels) lost should receive immediate cash payment equal to pre-war value of the ship lost,[4] but also that in addition and against the general principle, they should be credited with the subsequent increase in value in the Government Tonnage Replacement Account.[5] This is blocked and can only be used for the purpose of replacing vessels, including purchase of vessels from the Government. The Controller and Auditor General reports that this ' will result in payment to owners of large sums in excess of those provided for by Section 4 (7) of the Act.'[1] The new scheme[2] by which the Government sells vessels built on its own account to owners who lost vessels means that in this special case almost complete physical restoration is promised (some loss might be suffered by the owner if construction costs increased violently).

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[1] It does not seem probable that it represents the profit earning capacity of the Viscose Company over a period of years capitalised at the rate of interest now ruling for Government securities which will be substituted for it in the Company's assets. Whether the Company will be better off or worse off depends entirely on the success or otherwise of the Government's policy of maintaining sterling and its management' after the war, of foreign trade and the balance of payments. .

[2] Cmd. 6218, Section 4.

[3] Vote of Credit Appropriation Account 1939, H.O.C. No. 72 1941, page 32, para. 76.

[4] This already is substantially more favourable to shipowners than the scheme laid down for owners of real property who receive blocked credits to be released at the will of the Treasury.

[5] There was to have been recourse to a Valuation Tribunal in case of disagreement. In actual fact no recourse has been made as insured or approved values were accepted by both parties. Civil Appropriation Accounts 1940, p. XV § 3.

(iii.) The Ministry of Food, when exercising their powers under the Defence Regulations by requisitioning very large quantities of foodstuffs did not proceed under Section 6 of the Compensation (Defence Act) 1939 either, which would have enjoined them to pay cost plus reasonable profit. According to the Controller and Auditor General[2] they fixed the terms of compensation on a flat rate basis negotiated with the Trade organisations concerned, with the advice of the Ministry's trade directors (in most cases interested in the Trade), and after consultation with the Treasury [3] on the basis of Section 15 of the Act. The Controller reports that he ' was not in a position to judge whether the prices fixed were in all cases reasonable ' although he had ' no reason to criticise them.' In some cases the Ministry went further, and made additional payments on the basis of equity.

(iv.) A further exception from the strict application of the Act has been made in the case of railroads. The Companies receive payments slightly above pre-war profits, contrary to the strict words of the Compensation (Defence) Act.[4]

B. No compensation is being paid to *persons* whose earning power has been reduced by compulsory Government ' call-up ' or ' directions ' under the National Service or Emergency Powers (Defence) Acts. Here again there are some anomalous exceptions. Government and local Civil Servants receive at least their pre-war salary. Any difference between their war and peace-time income is made up by the Government and local Authorities. The same is true of University dons and the employees of some private firms. Mr. Bevin encouraged the peacetime employers even of people who were directed into (lower paid) war industrial jobs to ' make up ' the incomes of their erstwhile employees to the former level. In so far as such salaries are accepted as costs for purposes of E.P.T. or of the Goods and Services (Control of Prices) Act or of Government contracts it is fair to say that compensation will be paid almost wholly by the Government itself or by a levy of indirect tax character on the consumer. In certain special cases, moreover, compensation is granted to people transferred from higher paid to usually lower paid jobs by way of permitting their new employers to continue to pay them their previous income and to charge higher prices (bricklayers working as labourers; certain cotton workers directed back from munitions). In some schemes the salaries of managers of closed down factories can be continued (*e.g.* cotton, brick, steel) and these payments can be charged to Care and Maintenance funds.

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[1] Vote of Credit Appropriation Account 1939, p. 32/3 pp. 76.

[2] Vote of Credit Appropriation Account op. cit. page 24 (56).

[3] According to Sir Henry French, the prices paid under Section 15 instead of Section 6, were ' probably on a higher scale than the most rigid interpretation of Section 6 would have resulted in.' (The Minutes of Evidence taken before the Committee of Public Acocunts 1941, page 182, Question 1967.)

It was explained to the Committee that the average prices were such as to average out the price of commodities held in different stages of distribution. It seems, however, that in certain particular instances profits made by middlemen have been reimbursed by the State. Ibid. Qu. 1792.

[4] *Cf.* M. Stewart, The New Railway Agreement, BULLETIN, Vol. 3, No. 13.

C. The most varied and thus anomalous position can be found in the case of *firms* whose earning power has been diminished or annihilated by Government measures. The principle here again is that no compensation should be granted by the Government. This was laid down by the Prime Minister in the House of Commons as early as September 5, 1940, when he announced the change in policy with respect to damage due to enemy action :

' Damage by enemy action stands on a different footing from any other kind of loss or damage, because the nation undertakes the task of defending the lives and property of its subjects and tax-payers against assaults from outside. Unless public opinion and the judgment of the House were prepared to separate damage resulting from the fire of the enemy from all those other forms of war loss, and unless the House was prepared to draw the distinction *very sharply* between war damage by bomb and shell and the other forms of loss which are incurred, we could not attempt to deal with this matter ; *otherwise we should be opening up a field to which there would be no bounds.*' (My italics.

In actual practice this principle has been violated in numerous cases and compensation was arranged for the loss of goodwill either paid directly by the State or indirectly by the State permitting the particular industry or trade to charge a certain amount on price to finance compensation, *i.e.* extrabudgetary indirect taxation.

The main examples of such procedure can be found in the case of the Commodity Controls under the administration of the Ministries of Food[1] and Supply,[2] the late Petroleum Department,[3] the Mines Department,[4] (now amalgamated into the Ministry of Fuel and Power), the Shipping

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[1] Minutes of Evidence taken before the Committee of Public Accounts, pages 196/7 ' Our broad aim would be to try to enable any butcher who has only a small number of registered customers to continue to exist.' Nor was a system of differential purchase prices or subsidies made use of in order to minimise the cost of the policy of maintaining traders. The subsidy to bakers has only recently been made discriminatory even though large bakers were in no need for it.

The policy of maintaining retail outlets has been clearly re-affirmed by Sir Henry French (Minutes of Evidence, Qu. 2131 to 2136). The Ministry ' have entered into arrangements for using, as if they were Ministry of Food Officers, the personnel of a particular trade, for instance the Grain trade, the Milling industry, Oil seed brokers, etc. Instead of our paying these individuals a salary, we pay into a pool a global figure resulting from a negotiated settlement covering the whole of the services that that trade is performing for the country and they divide that much money themselves (*ibid.* page 124, Qu. 1981).

' The Grain trade themselves are forced, under our Agreement to weed out people who are unnecessary because, as the tonnage goes down, so their remuneration goes down.' (Qu. 1983).

' In case of a Broker or business like the Grain trade, they have no risks to bear at all. They are merely acting under our instructions. Therefore we regard it as fundamental in our negotiations that a trade that is running no risks whatever should not be remunerated on pre-war level.' (Qu. 1987).

[2] Timber and cotton (as far as the Liverpool Cotton Exchange and the Care and Maintenance levy scheme is concerned).

[3] In the case of certain garages situated on the South Coast the Petroleum Department has, on the other hand, provided for compensation of the closed down garages without arranging for pooling and thus utilising the services of the closed down plants.

[4] A levy was made to finance the maintenance of closed pits, later to help generally mines which suffered from the effect of the war.

Control exercised by the Ministry of War Transport,[1] and the Treasury.[2] The Ministry of Works and Planning has (lately) also joined this group by agreeing to the Brick Scheme,[3] having refused to entertain any compulsory pooling and compensation scheme for the far more numerous and threatened building trades. The Board of Trade has been taking an intransigent line up till now with respect to retail trade[4] and unessential industry, but seems on the verge of reconsidering its attitude, having already permitted some exceptions. Under the Goods and Services (Price Control) Act the view was taken that compensation must be arranged privately and the cost of compensation should not fall on the consumer. This latter proviso, however, has been violated in many cases and is yet another system of indirect extra-budgetary taxation.

Conclusion

This review shows that the policy of the Government has been illogical and varied from Department to Department. In fact, one may say that compulsory concentration was accomplished almost without exception without compensation and compensation was given in certain cases without insisting on concentration. The more powerful vested interests have got compensation, the less powerful have not. Where the individual citizen has been faced with compulsory measures of the Government the full rigour of the Compensation (Defence) Act 1939 was applied and the State benefited from any depreciation of the assets or services whereas the individual citizen was not given the benefit from any appreciation, nor was he generally compensated for lost goodwill.[5] The usual explanation put forward [6] that compensation was not paid to traders but their ' services hired ' for a fixed sum or a percentage payment on turnover is beside the point. The services of those Trading Associations could have been obtained (*e.g.* as in the case of Non-Ferrous Metal they were in fact so obtained) by making the Traders civil servants at a lesser cost. Most of the traders could in any case have easily been eliminated.

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[2] In case of ship chartering and insurance.

[1] *e.g.* the War-Risk Insurance schemes.

[3] It is interesting to note that the Brick Committee quite openly advocates a Corporative Organisation of the industry. The Ministry did not altogether accept the recommendation but it agreed to fix *minimum* prices for bricks apparently high enough to pay to closed firms part of their pre-war profits apart from care and maintenance. In so far as the Government is practically the sole buyer of bricks this means the acceptance of direct state financed compensation for lost good-will. In the case of some 80,000 building firms in dire straits this was flatly refused.

[4] In cotton and certain other industries, as explained in a statement on Jan. 8, 1942, where concentration has taken place collectively, provision is made for a levy to be added to price and this price is admitted by the Price Regulation Committees under the Prices of Goods and other price-regulating Acts and Regulations issued under them. In certain other cases such as *e.g.* hosiery, it is understood that compensation payments by nucleus firms are regarded as profit sharing except in the case of certain special arrangements and/or if the manufacturer can prove serious hardship.

[5] Very much the same applies to the schemes as far as damage resulting from hostile action is concerned. There again the Administration tried to disregard any appreciation of the assets resulting from war and does not compensate for goodwill. Consequently there is a powerful motive for the damaged to press for repairs and the departments, not being able to compensate in many cases, permit rebuilding and repair to be carried out even though it may impinge directly on the war effort. This was especially the case with respect to retail trades and entertaining. As far as personal injury is concerned the Government instituted flat rate compensation irrespective of previous earning power and whenever such compensation was paid regrettable differences in the rates of pay have been permitted.

[6] *e.g.* Vote of Credit Appropriation Account 1939 p. 25, pp. 57.

In the fourth year of the war it would seem to be difficult to introduce a new comprehensive compensation policy.[1] In spite of these difficulties it is to be hoped in view of the possible length of the war and the complete mobilisation of all resources which it renders necessary that the Government will try to assimilate the existing compensation schemes into a logical whole granting *ex gratia* payments retrospectively to people who have suffered without having been compensated. It seems especially that measures should be taken (1) to assimilate the war grants scheme paid to members of His Majesty's Forces on the basis of pre-war earning power, (2) the same thing should be done with pensions. The problem of shrinking industries, including retail trade, should be dealt with by financial pooling arrangements with sufficient subsidies to render this compensation policy feasable.

T. Balogh.

THE SALVAGE OF WASTE MATERIAL

1. The Nature and Magnitude of the Problem

'Waste Material is Raw Material' is a fundamental principle of war economy, when scarcities of industrial raw materials, caused by the shortage of shipping space and labour prevent the fullest use of available manpower. But whereas the Nazis as early as 1933 geared the collection and disposal of waste to their industrial machine, it was not until after the outbreak of war that Britain, under the growing pressure of the shipping situation and raw material scarcities, began to tackle the problem.

The confusion in public discussion about 'waste' makes it necessary to define the issues clearly. First of all, as was shown for example in the House of Lords debate in October 1941, there is the confusion between preventable waste, *e.g.* the unwarranted flow of pamphlets, documents, advertisements etc. thrust unsolicited upon their recipients, and the salvage of material which serves a purpose for a limited time (*e.g.* newspapers) and can then be collected and rendered usable again as a raw material. Secondly it is necessary to distinguish between 'industrial' and 'domestic' salvage. While to the public it is the latter which generally springs to mind when 'waste' collection is discussed, in terms of tonnage of most materials the former is far greater. Finally the problems of collection and disposal of waste must be treated separately. The former requires that householders and industrialists should keep and sort all recoverable waste and separate it from non-recoverable waste. These individual piles of scrap must be collected in sufficient quantities to enable the most economical methods of sorting to be applied. On the side of disposal it is necessary that each quality of scrap should be allocated to the appropriate industrial consumer, *e.g.* high grade waste paper should not be used for the manufacture of low grade paper.

In Table I figures are given for the production and consumption in peace-time Britain of certain important commodities with the proportions of scrap entering into production. The high proportion of scrap utilisation in metal manufacture (50% in the case of steel) is well known.

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[1] On its principles *cf.* The Role of Compensation in the War Economic System, Bulletin, Vol. 3, No. 5.

But in most cases British utilisation of scrap was lower than in U.S.A. and still lower than in Germany. In Britain one fifth of all tin produced and one fourth of all lead was produced from scrap, while the corresponding figures for U.S.A. were one third and one half respectively. Waste paper and cotton rags provided 19% of the material used in the manufacture of paper and cardboard, which compares with a proportion of 31% of waste paper used in Germany in 1938. Of textiles only 6—7% were manufactured from rags as against 15—20% in Germany, cotton rags were mostly repulped for paper, rather than torn and respun for textile manufacture, as was done in Germany. These comparisons with other countries give some idea of the possibilities of more intensive waste utilisation during the war.

TABLE I.

The Peace-Time Position.[1]

	Iron & Steel	*4 non-ferrous Metals*[4]	*Cotton Yarn*	*Wool Yarn*	*Paper & Cardboard*	*Bones*
(1) *Consumption* (000 tons)	*11,000*	*910*	*470*	*220*	*3,400*	—
—Imports	2,500	470		0.7	1,100	—
+ Exports	1,300	49	72	23	170	—
(2) *Production* (000 tons)	*10,000*	*490*	*540*	*240*	*2,500*	*440*
(*a*) Home Material	33%[3]	34%	—	16%	11%	50%[7]
(*b*) Imp. Mat.	17%[1][3]	42%	100%	64%	70%	50%[7]
(*c*) Waste Mat. *used in production*[2]	50%	24%	—	20%[5]	19%[6]	—
(3) *Waste Material* (000 tons)	*5,400*	*120*	*86*	*43*	*410*	*60*
— Imports	440	—	20	15	—	44
+ Exports	170	—	17	22	230	50
(4) *Waste Material collected* (000 tons)	*5,100*	*120*	*83*	*50*	*640*	*21*

Source: Census of Production; Annual Statement of the Foreign Trade of the United Kingdom.

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[1] Different years and averages 1935—38.

[2] The proportion of waste material used (under heading 2) and the tonnage (under heading 3) do not agree exactly; the first expresses the proportion of waste material of all kinds used in the manufacture of the products of the industry (*e.g.* waste paper *and* cotton rags used in the manufacture of paper and cardboard), the second the tonnage of waste from the products of the industry used for different purposes (*e.g.* wool rags used in the production of woollen textiles *and* for roof-felting).

[3] Iron Ore and Coal in terms of Pig Iron produced.

[4] Lead, Zinc, Aluminium, Tin.

[5] For Mungo and Shoddy.

[6] Includes cotton rags.

[7] The import of bone-rendering meat is assumed to be half of total national consumption.

There is a wide range between different materials in the degree to which scrap was collected and used again, from 5.5% of the possible in the case of bones to over 90% in the case of scrap iron and steel, corresponding to the different degree of destructibility of the materials concerned.[1] Changes during the war itself have undoubtedly affected the flow of waste material available for salvage. Thus the current supply of bones has probably fallen by two thirds, of paper and textiles somewhat less, while that of metals has probably remained stable. On the other hand there are considerable stocks of potentially useful scrap not touched in peace time, which could be made available in war; dumps of scrap iron, tram rails, old clothes, books and documents. The size of these stocks is difficult to estimate and in many cases it is dependent on the degree of urgency of the demand for waste. This latter consideration applies especially to books and old clothes, ironwork of semi-artistic value and articles with a slight degree of potential value (stray keys etc.).

Apart from the items included in Table I there are a number of other sources of valuable material, for which there are not sufficient statistical data. The most important are bottles, of which 360,000 tons were produced in 1930, and kitchen waste, collected on a small scale before the war (350,000 tons a year) which is a valuable contribution to pig and poultry food. (A pig can be fed for a year on a ton of kitchen waste; the pre-war pig population was 4.4 millions).

2. COLLECTION AND DISPOSAL

Before the war the collection of salvage was carried out by two agencies, the local authorities and the waste trade. The former did not dispose of collected salvage directly to the consuming manufacturers, but mainly owing to lack of the necessary plant and skilled labour for sorting, cleaning, drying and concentrating (kitchen waste), sold it to the trade, which disposed of it to consumers at home and abroad. The best organised trades were the scrap metal and the flock and rag trade. The former, in contrast to the de-centralised flock and rag trade, before the war underwent a process of concentration and integration with the consuming iron and steel trade, mainly because of the increased proportion of scrap used in iron and steel manufacture, and this process has culminated during the war by the Ministry of Supply giving the Iron and Steel Corporation (Scrap) Ltd. (a subsidiary of the British Iron and Steel Federation) the monopoly of collection from local authorities.

During the war the dual system of collection by local authorities and the trade has been maintained while the former have been assisted by various voluntary organisations: W.V.S., Boy Scouts, etc. and the Armed Forces have collected scrap on their own account. Unfortunately many of these voluntary organisations as well as the Army and the R.A.F. have also become independent disposal agencies (using partly the waste trade), while local authorities have started to dispose of materials directly to the consumer, very often in competition with the trade.

At first the Government relied mainly upon propaganda to increase the flow of salvage. A Controller of Salvage was appointed by the Minister of Supply in November 1939; and the first of a series of national propaganda campaigns appealing to the householders to collect recoverable waste and to the local authorities to gather it in was soon set in motion. These drives, however, while increasing the volume of waste material collected, were not very successful and as the war has developed the Government has resorted more and more to compulsion. The boroughs and urban districts with more than 5,000 and rural districts with more than 10,000 inhabitants, (altogether 1,200 local authorities) were directed by the Ministry of Supply to ensure collection of waste paper, metals, rags, and household bones and to render to the Ministry of Supply monthly returns of these collections. In recent months, under Salvage of Waste Material Orders the general public has been forbidden to destroy, throw away or mix with other materials, especially refuse, paper and cardboard (March 1942) and rags, rope or strings (July 1942). Special campaigns were conducted for scrap metals, especially aluminium (after Dunkirk) and iron and steel, and in the latter case the responsibility for collection was taken over by the Ministry of Works and Buildings from the Iron and Steel Control at the end of 1941. A non-profit making company, the Waste Paper Recovery Association, was formed to encourage the collection of waste paper.

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[1] Also the place of consumption plays a considerable role, as the collection of waste from households and small shops in towns is easier than from remote country places, but much more difficult than from big industrial undertakings.

Measures (including Government Orders) were also taken to ensure the sorting and collection of industrial scrap, especially non-ferrous metals from the factories where the waste was thrown up.

3. ACHIEVEMENTS AND SHORTCOMINGS

The measures outlined above have definitely improved the collection results in 1941 and 1942 (Table II). The country has been divided into 32 salvage areas with 110 voluntary district advisers and voluntary assistants. Large quantities of paper, rags and bones and almost all the kitchen waste are now usually disposed of by the local authorities directly to the consumer, while the waste trade is still used as a disposal agency for smaller quantities and for other materials (metals, textiles, etc.). The total tonnage of waste recovered by local authorities between the outbreak of war and the 28th February 1942 was between 2 and 3 million tons, of which 640,000 tons were paper, 530,000 tons ferrous metals, and 5—6,000 million tins, weighing 310,000 tons. But the results have nowhere reached the target figures of the Ministry of Supply except in the case of bones where the target is obviously too low. Many hoardings and dumps are still untouched. Of the estimated 500,000 tons of scrap iron and steel contained in disposable railings and gates, only 200,000 tons had been collected by the middle of this year, while much scrap from village dumps and bombed buildings still lies uncollected. At least 1½ million tons and probably much more could be obtained, if all useless books, papers, archives of institutions and firms were given up. In textiles the collection of waste by local authorities actually fell by one half between April 1941 and April 1942, although the total pre-war collection of 130—140,000 tons was only 20% of total consumption as compared with a possible 50%. Of the pre-war annual consumption of rubber of 100—200,000 tons only 10—20% was regenerated rubber as compared with 30—40% in U.S.A. No special steps were taken to collect scrap rubber until February of this year when a campaign to collect rubber on a large scale was begun. The target for tyres alone is intended to yield 15,000 tons of rubber within a year, but the collection of local authorities from all sources yielded only 6,000 tons in the months of February—July 1942. It is, however, difficult to form a balanced judgment on this and similar results, as the results of the competing collections of the waste trade are not fully and regularly published.

TABLE II.

Monthly Collections at different Periods (000 tons).

Material	Period[1]	Total Collected	Thereof Local Auth.[4]	Off. Target for Local Auth.	Possible[6] total of Collection
1 Waste Paper	Av. 1938	53	4.2		140
	Dec. 39		4.4		
	,, 40		16		
	Jan. 42[2]	100	58		
	April 42		34	42	53
2. Bones	Av. 1938	1.8	—		33
	Dec. '39		0.1		
	,, '40		0.6		
	Jan. '42		2.2		
	April '42		9.0	2.1	11
3. Kitchen Waste	Av. 1938	29[3]	—		
	Av. 1940	19	8.3		
	Av. 1941	42	21	42	
4. Scrap Metals	Dec. 1939		6		
	,, '40		16		
	,, '41		18	21[5]	460
5. Textiles	Av. 1938	11	—	—	29
	Av. 1940/41	—	2.9		12

Sources : See Table I and : ' Public Cleansing and Salvage,' ' Waste Trade World,' The Daily Press.

[1] Months or monthly averages.

[2] First National Drive of the Waste Paper Recovery Association.

[3] Estimate, communicated by Lord Portal to the House of Lords, 19/3/42.

[4] Covering 10 million households (out of 12).

[6] Assumed av. 50% of current consumption in the case of waste paper, scrap metals and textiles, and 90% in the case of bones. These ' possible ' figures cover only the regular flow and not dehoarding of certainly very considerable dispensable stocks.

[5] Local Authorities' effort negligible in comparison with Waste Trade and Ministry of Works and Planning.

There are a number of difficulties in the way of achieving the fullest possible collection results : the natural reluctance of individuals to part with things[1] and the desire to preserve personal stores, *e.g.* brown paper, in view of increasing scarcity ; the hoarding of stocks by the trade in anticipation of better prices later (this occurred especially in the case of non-ferrous metals where the Ministry of Supply fixed maximum prices for scrap and the trade pressed for higher maxima), and the difficulties of pre-separation (smaller firms and domestic households can not, as a rule, separate : dry paper, grease paper, rags, strings, rope, metal, bottles, kitchen waste, bones, fish bones and refuse) ; to these may be added the inadequacy of the measures of collection and separation by both local authorities and the waste trade, due to lack of unskilled and skilled labour (only 590 out of 1,400 local authorities collected kitchen waste separately in April 1942), and finally the insufficient co-ordination of the various collecting agencies.

Although here too grave shortcomings must be noted, the disposal of waste material as distinct from its collection seems to be developing more satisfactorily. The following brief remarks may give an indication of the degree of utilisation of the different materials.

Waste paper is sorted in 50 grades ; 1.1 lbs. of waste paper produces 1 lb. of pulp for new paper of a similar quality. One ton of scrap iron or steel saves in the average 3 tons of iron ore and 2 tons of coal. About one quarter of all kitchen waste collected by local authorities is concentrated (dried and sterilised) in 38 plants (at present) before being sold to farmers ; some local authorities have their own pig farms.

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[1] Surbiton town council reported difficulties in dealing with gate hoarders who hid their iron gates, earmarked for collection, as soon as the work party approached.

Bones are the most intensively utilised of all waste materials. The main converter is British Glues and Chemicals Ltd., although some local authorities convert bones in their own plants. Bones are first degreased. The result is refined grease for soap, glycerine and explosive manufacture. From the degreased bones glue is obtained. The deglued bones are decalcined, yielding bone meal, a high grade animal fodder. The decalcined bones are used partly as low grade animal fodder, partly as fertilisers. The ash of decalcined bones is used in the pottery industry.

There is still room for tightening up in the disposal of many of the items described above as well as in other scrap materials, particularly cotton textiles which are either pulped for paper or used for roof-felting and pillow filling, but which might, as in Germany, be torn and re-spun for cloth.

4. CONCLUSION

The advance which has been achieved is considerable, but does not keep pace even with the moderate targets set by the Ministry. In the present critical stage of the war it is of the utmost importance to make use, as rapidly as possible, of every bit and piece of available waste material which can be substituted for an imported raw material. One ton of shipping saved this year is worth many tons in 1943 or 1944.

The aim of salvage policy ought, therefore, to be twofold : (1) to gather in *now* all hoarded stocks of potential waste materials, which can reasonably be dispensed with ; (2) to maintain the *current* flow of salvage at the highest possible level.

These two tasks undoubtedly are beyond the capacity of the existing organisation for waste collection and disposal, and the following proposals (some of which are partly being carried out already) may help to reach the double target :

(1) The whole system of salvage collection should be co-ordinated under one head. The district organisations should be put on a full-time paid basis. The maximum use of voluntary help should still be made, but the activities of voluntary organisations should be directed by the full-time officials, and in all cases limited to the collection of the material as distinct from the disposal. Where, as in non-ferrous metals, the main scrap sources are within a particular industry, the existing channels of collection should be maintained, but brought under the general control of the Salvage Directorate.

(2) For certain articles schoolchildren are unsurpassable collectors. Trade unions, co-operative societies, rotary clubs, women's organisations should be consulted in organising a corps of regular salvage stewards to encourage, assist and supervise collection and pre-sorting. The organisation of salvage committees in streets, factories and schools would be very helpful.

(3) Local depots for the deposit of waste metal, paper, rags, etc. should be established. The supply of appropriate receptacles for kitchen waste etc. should be considered. The disadvantage of the use of material and labour in their manufacture will have to be balanced against the certain increase in the collection resulting from this measure.

(4) National and district targets for both parts of the programme (the de-hoarding and the regular flow mentioned above) should be set and supported by a great propaganda drive over the wireless, in the newspapers and in the cinemas. *Regular* publicity should be given to the degree of success achieved.

(5) For waste of some value standard prices should be fixed on a national basis and paid to act as an additional inducement to surrender hoards.

(6) The propaganda campaign should be carefully co-ordinated with the improvement of the system of collection so that people are not asked to save and separate items which are then either not collected or thrown together again by the collectors. When the channels of collection of scrap of all kinds are developed it will be possible to issue further orders prohibiting the destruction of recoverable waste. In addition it should be possible in some cases to enforce surrender of used articles (e.g. clothes, tins, razor blades) when new ones are bought.

(7) The disposal of material should be governed by the decision of the appropriate raw material Controllers (*e.g.* paper, wool, cotton, etc.).

(8) Special attention should be given to the recovery of industrial waste (*e.g.* fat from the waste water of slaughterhouses, dairies, wool washing establishments ; human hair for felting and filling from the hairdressers etc.).

If this programme were carried out with speed and imagination Britain could become temporarily independent of imports of bones (from India, South Africa and South America) and tin (from Nigeria and Bolivia), while the calls on man-power for the mining of iron ore and on shipping for lead, wood pulp and even cotton and wool would be substantially reduced

D. B. HALPERN.

DIARY.

THE WHEAT SITUATION

In 1941 the wheat acreage in U.K. was more than one third above the pre-war 10-year average of 1.6 million acres, according to the statement by Mr. Hudson in the House of Commons. Thus, a 1941 acreage of some 2.15 million compares with 1.93 million acres in 1938/39, an increase of about 11.4%. Another statement made about the extension of winter 1941—spring 1942 sowing suggests a total war-time increase of some 30%. Home production may, therefore, reach some 1.8—2.0 million tons, compared with 1.4 million tons before the war. Normally 6.9 million tons of wheat were consumed per year. By raising the wheat extraction of flour from 72% to 85% and by restricting the use of wheat for feeding purposes some 1.4 million tons less are needed. However, the increase in the consumption of bread largely balances this saving, so that about 5 million tons, or 184 million bushels, have still to be imported. This estimate is lower than purchases contracted by the Ministry of Food with the Canadian Wheat Board in May 1941, November 1941 and May 1942, each time amounting to 120 million bushels. These purchases may include deliveries to Allied troops in the U.K., Middle and Far East. But imports may still fall short of 240 million bushels yearly, as is often the case with bulk purchases during war. The only other trade figure available refers to Argentina which exported some 50,000 tons to U.K. in the first six months of 1942, a quantity equal to her wheat exports lost by sinking in 1941.

The four chief exporting countries, Argentina, Australia, Canada and U.S.A. are faced with an unprecedented wheat glut. Argentina's exports are restricted mainly to South-American countries which in 1938 took only 23% of her exported wheat. Ships to Europe are scarce, and the Eastern Coasts of U.S.A. and Canada are *de facto* recognised by Argentina as blockaded. The new International Wheat Agreement passed almost unnoticed in Argentina, in spite of her being one of the five signatories. But the agreement provides no solution for the existing wheat surplus. Although U.S.A. has reduced her wheat acreage to the legal minimum of 55 million acres—the harvested winter acreage had been decreased by 3 million acres and the spring acreage by 2 million acres—the yield per acre has risen from 17 to 18.6 bushels.

ESTIMATE OF WHEAT SURPLUS 1942, IN MILLION BUSHELS.

	Argentina	*Australia*	*Canada*	*U.S.A.*	*Total*
Harvest 1941/42	224	170	425	900	1,719
Carry over from 1940/41	120	170	403[1]	600	1,293
Available supply, 1/8/42	344	340	828	1,500	3,012
Domestic requirements	110	60	140	700	1,010
Exportable surplus	234	280	688	800	2,002
Exports to U.K.[2]	4	15	220	15	254
Exports to other non-Axis countries[3]	9	3	4	—	16
Carry over on 1/8/43	221	262	464	785	1,732
Storage available on 1/8/42 for *all* visible grain	234		240	1,600	

[1] Visible supplies on 17th July.

[2] Estimate of current annual rate of exports allowing for sinkings and shipments to Allied Forces in U.K. and overseas.

[3] 1938 data.

The four exporting countries will be faced with an exportable surplus of 2,000 million bushels of wheat ; the carry over will, on August 1st, 1943, have increased by over 400 million to 1,732 million bushels. The storage of the 3,000 million bushels of wheat available on August 1st, 1942, encounters great difficulties since storage facilities for *all* grain are not much above and in most cases below the capacity now needed for wheat alone. Argentina will be short of space for 146 million bushels. Canada's country and other elevators provide grain space for 240 million bushels only. U.S.A.'s existing warehouse capacity (excl. storage space on farms and steel bins owned by the C.C.C.—Commodity Credit Corporation—)for all grain total only 1,600 million bushels. Since, according to February data, 38% of storage space was needed for grain and beans other than wheat, only 1 million bushels of wheat can be stored. Last year the storage problem was solved by large quantities being left in railway box cars whenever they could not be unloaded. As a result, American railroads, this year, accept wheat for transport only on receipt of a certificate for available storage space at the place of destination. The C.C.C. have ordered the construction of 27,000 wooden grain storage bins with a capacity of 60 million bushels, and farmers are encouraged to erect granaries on their farms, since the old ones are filled with last year's surplus. Wheat is stored in hotels and schools. There are also reports that 125 million bushels will be sold for feeding purposes at reduced prices. 60 million bushels may be used for the planned production of 200,000 tons of synthetic rubber from grain-alcohol.

The Indian harvest of 373 million bushels compares with 402 million bushels in 1938/39. Exports, mainly to U.K. and Germany, represented less than 5% of home production, so that no serious surplus problem will arise.

The Russian position has been aggravated by recent military events. The Soviet Union had, after the loss of the Ukraine, intensified sowing in the Northern Caucasus. The areas of whose product the Russians now have been deprived, yielded 45% of total wheat production. 80% of the winter wheat acreage and 30% of the spring wheat acreage have passed into German hands. Out of a total acreage of 170 million under wheat and rye, 72 million acres have been occupied. The remaining regions lie on the Middle Volga, in Western Siberia and Central Asia. While the loss of the Ukranian wheat fields was partly offset by the simultaneous incorporation of 40—50 million population into the German orbit, the conquest of the Don and North Caucasian territory is of more serious consequence. In 1938 the U.S.S.R. had produced 40.7 million tons of wheat (and 20 million tons of rye). Lost production may therefore amount to 18 million tons of wheat (and 9 million tons of rye). Even accounting for the population in occupied Russia and for new acreage in Eastern regions, a deficit of some 7 million tons of wheat (and 4.0 million tons of rye) would remain.

Germany, on the other hand, will not fully benefit from the new territory. For lack of tractors, man-power etc. hardly half of the Ukrainian acreage was sown, and the North-Caucasian harvest will have suffered by hostilities. But the wheat from occupied Russia should partly balance the bad European harvest estimated to be 320 million bushels short of requirements.

Consumpton of Tobacco

There are now fairly comprehensive figures of the wartime trend of tobacco consumption. From information published by the Tobacco Federation of the British Empire, the quantities retained for home consumption can be computed as follows :

U.K. Tobacco Consumption [1]

(mn. lbs.)

	1939	1940	1941	1942
Jan.—March	97	49	48½	63
Apr.-June	(1st half-year)	44½	54	
July—Sept.	102	49½	58½	
Oct.—Dec.	(2nd half-year)	48	60½	

The continuous and rather steep rise since the spring of last year—lend-lease imports started in May 1941—is obvious ; in the first quarter of 1942 there was an increase on the same period of the preceding year of 30%.

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[1] Financial News,' August 15th, 1942 ; ' Tobacco ' May 1942 ; ' Times,' October 20th, 1941 ; May 9th, 1941.

Whether this growth will be stopped or, at least, held for a time by the increase in taxation, is difficult to say. The 1940 figures would indicate that the addition of 4sh. on duty per pound in the April Budget of that year produced only a temporary reduction in demand, while the additional 2sh. imposed in the July Budget apparently caused no check at all, although monthly figures would be needed to make the latter conclusion more certain. Of course, the volume of consumption has been influenced by other factors, too, apart from the elasticity of demand for tobacco, as, for instance, by the 10 per cent. cut in withdrawals from bond in comparison with the preceding year, which was imposed in July 1940, by heavier smoking due to the beginning of large-scale bombing attacks, etc.

Up to now, this year's duty seems to have checked at least the growth of consumption. This is confirmed by a statement of a tobacconists' deputation to the Controller that, while supplies were still steadily maintained, ' tobacconists in recent times have been able to replenish stocks depleted during the recent period of shortage.'[1] If past experience is any guide, it may, however, be expected that the price deterrent will not act in the long run and consumption will go up again. In this case, we would return to conditions of shortages and haphazard distribution, and it would then become advisable to resort to some scheme of group rationing rather than to rely on another increase in the tax.

There is another aspect of the problem. It has been said in the trade that ' tobacco needs no ships but only holes-and-corners in ships which would have to sail in any case,' but it is more than doubtful whether this still holds true, when tobacco imports must be of the order of 100,000 tons a year. In any case, are there not more important uses for those holes-and-corners, e.g. to ship foodstuffs which do not require special packing ?

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[1] ' Financial News,' July 10th, 1942.